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Arizona Corporation Commission
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BEFORE THE ARIZONA CORPORATION COMMISSION

BOB STUMP
CHAIRMAN

GARY PIERCE
COMMISSIONER

BRENDA BURNS
COMMISSIONER

SUSAN BITTER SMITH
COMMISSIONER

BOB BURNS
COMMISSIONER

IN THE MATTER OF THE APPLICATION
OF ARIZONA PUBLIC SERVICE
COMPANY FOR APPROVAL OF
UPDATED GREEN POWER RATE
SCHEDULES GPS-1, GPS-2 AND GPS-3.

DOCKET NO. E-01345A-10-0394

IN THE MATTER OF THE
APPLICATION OF ARIZONA PUBLIC
SERVICE COMPANY FOR APPROVAL OF
ITS 2013 RENEWABLE ENERGY
STANDARD IMPLEMENTATION FOR
RESET OF RENEWABLE ENERGY
ADJUSTOR

DOCKET NO. E-01345A-12-0290

IN THE MATTER OF THE APPLICATION
OF TUCSON ELECTRIC POWER
COMPANY FOR APPROVAL OF ITS 2013
RENEWABLE ENERGY STANDARD
IMPLEMENTATION PLAN AND
DISTRIBUTED ENERGY
ADMINISTRATIVE PLAN AND REQUEST
FOR RESET OF ITS RENEWABLE
ENERGY ADJUSTOR.

DOCKET NO. E-01933A-12-0296

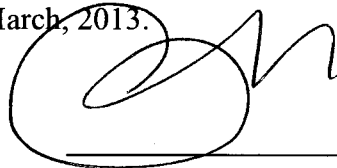
IN THE MATTER OF THE APPLICATION
OF UNS ELECTRIC, INC. FOR APPROVAL
OF ITS 2013 RENEWABLE ENERGY
STANDARD IMPLEMENTATION PLAN
AND DISTRIBUTED ENERGY
ADMINISTRATIVE PLAN AND REQUEST
FOR RESET OF ITS RENEWABLE
ENERGY ADJUSTOR.

DOCKET NO. E-04204A-12-0297

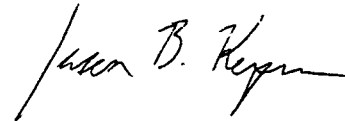
**JOINT EXCEPTION TO RECOMMENDED
ORDER CORRECTING DECISION NO.
73636 NUNC PRO TUNC**

1 Solar Energy Industries Association, Arizona Solar Energy Industries Association,
2 Interstate Renewable Energy Council, Inc., The Vote Solar Initiative, Sunrun Inc., SolarCity
3 Corporation, SunPower Inc., QuickMount PV, hereby respectfully file this Joint Exception to
4 Administrative Law Judge ("ALJ") Teena Jibilian's Recommended Order of February 26, 2013
5 to correct Decision No. 73636 ("Decision") Nunc Pro Tunc.

6
7 Respectfully submitted this 4th day of March, 2013.

8 

9
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1 **Original and 13 copies filed on**
2 **This 4th day of March, 2013 with:**

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7 *I hereby certify that I have this day served the foregoing documents on all parties of record in
8 this proceeding by sending a copy via electronic and/or regular U.S. mail to:*

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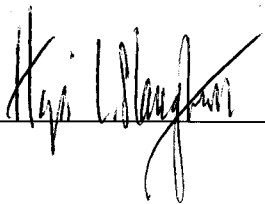
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JOINT EXCEPTIONS

We suggest that the Commission modify the language of the Decision's order on lines 17-20 of page 27 to explain what documentation of the technical conference is expected, what analysis of costs and benefits is to be undertaken, and when it expects to see these results. The Decision calls for a "multi-session technical conference to evaluate the costs and benefits of Distributed Renewable Energy and Net Metering,"¹ and we believe that APS' understanding of this directive does not align with a logical reading of the Decision. In addressing ALJ Jibilian's Recommended Order, the Commission can clarify that it wants to know what participants in the technical conference had to say, how participants other than APS propose to analyze costs and benefits, and how long the technical conference should reasonably take. All of the signatories to this motion participated in the all-day kick-off meeting (Joseph DiMatteo was unable to attend the kick-off meeting, but is planning to participate in future workshops), held on February 21, 2013, and believe that the anticipated outcome of the APS technical conference will be far less helpful to the Commission than would the outcome of a more rational process. We provide suggested language herein that would clarify the Commission's intent.

A. Background

On November 15, 2012, APS filed Comments to Staff's Recommended Opinion and Order that called for a multi-session technical conference on the costs and benefits of distributed energy ("DE"). APS declared that the intent of the conference was to achieve a "collaborative solution," that would culminate in APS filing either a jointly-prepared solution, or, if the participants are unable to reach a consensus, an application seeking to otherwise address the costs of DE [distributed energy].² The Commission's Decision of January 31, 2013 ordered

¹ Decision, p. 27, lines 17-20. ("IT IS FURTHER ORDERED that APS shall conduct a multi-session technical conference to evaluate the costs and benefits of Distributed Renewable Energy and Net Metering as proposed in the APS comments to Staff's Recommended Opinion and Order that were docketed on November 15, 2012, and as recommended by Staff in Finding of Fact No. 41.") On February 22, APS filed a "Supplemental Request for an Order Nunc Pro Tunc" asking that the Decision be revised to also reference Finding of Fact No. 42, regarding benefits of net metering and distributed renewable energy to consider in the workshops.

² APS Comments of Nov. 15, 2012, p. 2, lines 15-23.

1 APS to convene such a conference.³ However, that order did not reference Finding of Fact
2 (“FOF”) No. 42, which provided Staff’s recommendation regarding the costs and benefits of net
3 metering and distributed renewable energy to consider in the technical conference.

4 On February 22, APS submitted a Supplemental Request for an Order Nunc Pro Tunc
5 related to the Commission’s order to convene the technical conference.⁴ That Supplemental
6 Request was to include a reference to FOF No. 42. ALJ Jibilian’s Recommended Order concurs
7 with APS’ request to include the reference to FOF No. 42.⁵ On its face, this would seem to
8 clarify that the Commission intends for the technical conference to consider a broad range of
9 benefits, if indeed the Commission adopts the Recommended Order.

10 On February 21, 2013, APS convened the all-day kick-off meeting of the technical
11 conference, and issued an agenda for the meeting several days beforehand. The Solar Energy
12 Industries Association and the Vote Solar Initiative sent APS separate open letters, with copies to
13 the five ACC commissioners, voicing their concern that the agenda did not appear to solicit input
14 on how to undertake a study of costs and benefits of DE.

15 At the kick-off meeting, APS clarified that it intended to produce a “Refresh” of the R.W.
16 Beck study that it undertook in 2008 and published in 2009,⁶ and did not intend to reassess how
17 to conduct such a study. Participants in the kick-off meeting, including all of the signatories to
18 this filing, expressed their dismay that the technical conference would not inform APS’ study,
19 and that there was no apparent purpose for convening the technical conference.

20 21 **B. The Inadequacy of APS’ Process**

22 It became clear in the kick-off meeting that the six all-day meetings of the technical
23 conference would be a lengthy tutorial on rate design, integrated resource planning, and finally
24 APS’ “Refresh” of its 2009 study regarding valuation of distributed renewable energy. While

25 ³ Decision, p. 27, lines 17-20.

26 ⁴ APS filed an earlier Request for an Order Nunc Pro Tunc on other parts of the Decision, unrelated to the technical
27 conference.

28 ⁵ The Recommended Order lists the Renewable Energy Standard Tariffs (“RESTs”) for APS, Tucson Electric Power
Company, and UNS Electric, Inc., though the Decision was only in the docket for APS’s REST.

⁶ “Distributed Renewable Energy Operating Impacts and Valuation Study”, R.W. Beck, prepared for APS, Jan,
2009. APS has hired SAIC to refresh the study; R.W. Beck was acquired by SAIC.

1 APS has hired a facilitator who does encourage participation by attendees at the technical
2 conference, the Refresh of the R.W. Beck study will not benefit from any of the group's
3 discussions, the agenda was established by the facilitator without input, and there is no indication
4 that the technical conference will have any tangible result. After participants voiced concerns
5 with the process in open letters to APS and at the kick-off meeting, the agenda for the remaining
6 five meetings was revised modestly, but the process remains unchanged.⁷ APS plans to conduct
7 a study on its own and conduct a technical conference to tell attendees what it is doing, with no
8 apparent intent to incorporate input from conference attendees into its study or any follow-on
9 study.

10 Looking back to APS' filing of November 15, it appears that APS is not following the
11 process that it claimed it would take. It said that it would seek a "collaborative solution,"⁸ but it
12 appears that APS is going to explain its approach to technical conference participants and hope
13 for agreement. And, if participants are not persuaded, then APS will file its study without
14 acknowledgement of the reasoned opinions of conference participants. If the APS study is done
15 apart from the technical conference, it is clear that there is nothing collaborative about the
16 technical conference; there is nothing on which to collaborate if there is no conference output.
17 While the signatories to this filing want to participate in a useful process, there is no indication
18 that six full days of participation will have any tangible results. We urge the Commission to
19 require that a truly collaborative process be used, as proposed by APS.

20 Refreshing the R.W. Beck study without addressing the methodology to use is inadequate
21 in two important respects. First, the R.W. Beck study does not address net metering at all; the
22 term is never used in the 2009 study. The Commission ordered a technical conference of
23 distributed renewable energy *and* net metering, and APS is only planning to study the prior topic.
24 The most comprehensive cost-benefit analysis of net metering to date focused entirely on the
25 exported energy from net metered systems, reasoning that serving on-site load in real time is akin
26 to load reduction through conservation – the customer has a right to do it without net metering,

27 ⁷ For example, the March 7 session was expanded to include a two hour segment to discuss "DE Solar System or
28 Cost Benefits from the 2009 RW Beck Study."

⁸ APS Comments of Nov. 15, 2012, p. 2, line 15.

1 so the costs and benefits of that portion of the generation is not attributable to net metering.⁹ The
2 Commission ordered a technical conference covering net metering, and presumably expects
3 feedback from the conference regarding the costs and benefits of net metering, yet the only
4 documentation that APS appears to be considering is a study that does not address net
5 metering.¹⁰

6 The second respect in which a Refresh of the R.W. Beck study is inadequate is that more
7 than a dozen studies on the topic have been completed since 2009 with differing approaches to
8 the analysis of costs and benefits. APS has made it clear that it feels that its prior approach is
9 adequate because it received stakeholder input in 2008. But at that time, there were almost no
10 installed net metered systems in Arizona, and the nation as a whole had less than 10% of the net
11 metered systems that are interconnected today.¹¹ More recent studies have benefited from real-
12 world experience and refinement of the approaches taken by R.W. Beck in the early days of net
13 metering. Attendees at the technical conference, including the signatories to this motion, have
14 been deeply engaged in many of these other studies and should be used as a resource by APS.
15 There is an opportunity for APS to develop a much more comprehensive report with our help if
16 the process of the technical conference is changed to reflect the Commission's intent.

17 18 **C. Required Methodological Changes**

19 APS stated at the kick-off meeting that it intends to refresh the R.W. Beck study with
20 current data while not changing methodology. Yet, two of the most important benefits of
21 distributed renewable energy are largely ignored in the R.W. Beck study. First, capacity benefits
22 are only recognized to the extent that an entire natural gas plant or transmission line is displaced,

23
24 ⁹ "Net Metering Cost Effectiveness Evaluation", Energy and Environmental Economics, Inc. (E3), prepared for the
25 California Public Utilities Commission, Jan, 2010. (The study evaluates the costs and benefits of exported energy
26 from net metered systems of customers of Pacific Gas & Electric, Southern California Edison, and San Diego Gas &
27 Electric. Recent legislation calls for a new study of all generation from net metered systems and the CPUC has
28 directed E3 to update its study, still providing the costs and benefits of exported energy, and separately providing the
costs and benefits of energy used on-site.)

¹⁰ Prior to the technical conference, Navigant Consulting issued a very limited case study for APS regarding net
metering costs, with little consideration of benefits. Again, there was no public input into the process, and we
believe that the approach taken was flawed.

¹¹ More than six Gigawatts are interconnected today, while roughly five hundred Megawatts had been
interconnected at the start of 2008.

1 on the theory that there is no benefit until APS has actually been able to avoid building
2 something. No transmission or generation capacity credit was found, even at high solar
3 penetration levels, until 2025. This runs counter to the standard approach in other studies, and
4 runs counter to logic. The 250 Megawatts of net metered facilities in APS' service territory
5 today are deferring the need for APS to build new generation and transmission once load growth
6 or the expiration of existing power contracts require additional resource procurement. This will
7 occur much sooner than 2025 according to APS's 2012 Integrated Resource Plan.

8 Secondly, the R.W. Beck study makes no mention of the benefit of distributed renewable
9 energy with respect to water usage. Solar energy facilities displace natural gas plant generation,
10 which entails voluminous water usage. The energy benefit of distributed renewable energy in
11 the R.W. Beck study is simply viewed as avoided fuel costs, without consideration of the
12 associated water savings. In one of the driest regions of the country, this benefit should be
13 incorporated.

14 This filing is not the place to make the case for specific methodological changes, but
15 these two examples highlight the fact that the R.W. Beck study could be significantly improved.
16 A study that incorporates the benefits noted here, along with others, would be far more useful to
17 the Commission than the incomplete and inaccurate study that is being conducted by APS
18 without input.

20 **D. The Need for a Longer Timeline**

21 At present, APS proposes to unveil its Refresh of the R.W. Beck study at the fourth
22 meeting of the technical conference, on April 11, then wrap up the process after two more
23 meetings within a month. Essentially, the technical conference is starting on April 11; the three
24 prior meetings are tutorials on background material. A single month is grossly insufficient for
25 the technical conference, given what we assume is supposed to result from the conference. To
26 establish a more comprehensive approach and conduct a study based on that approach will take
27 several months. A realistic timeline starting on April 11 would spread out three additional
28

1 meetings over the remainder of 2013, with conference calls between meetings. For comparison,
2 the R.W. Beck study required nearly a year to complete with 6-8 meetings along the way.
3

4 **E. Suggested Amendment to the Decision**

5 We suggest adding the following sentence to the Decision after the directive to hold the
6 technical conference on lines 17-20 of page 27: "APS is ordered to provide a report of the
7 results of the technical conference by January 31, 2014, including an analysis of costs and
8 benefits using methodology agreed upon by conference participants or separate analyses based
9 on the methodology adopted by APS and a methodology agreed upon by at least six
10 organizations and businesses related to the solar energy industry, if such agreement can be
11 reached."
12

13 **Conclusion**

14 The Joint Parties request that the Commission amend the Decision to clarify the process
15 and outcomes of APS' technical conference on distributed renewable energy and net metering.
16

17 Thank you for your consideration.
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